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Joint Assessment

The Situation and Trends in Costa Rica

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INTELLIGENCE MEMORANDUM

The Situation and Trends in Costa Rica

Introduction

The vague unrest that has permeated the Costa Rican scene over the past year may have settled in for the duration of the Figueres government. President Figueres has made several moves to the left since his inauguration last May for a four-year term. Although in keeping with his campaign promises, these actions have led to a continuing cycle of heavy criticism from the opposition and to defensive reaction on the administration's part. Symptomatic of the political queasiness was the spate of rumors toward the end of 1970, and continuing into this year, of arms landings, impending coups, and other antigovernment activity.

Costa Ricans traditionally have been tolerant of irresponsible stances and statements from their major politicians. They have insisted, however, upon a sane national course. Their confidence in political institutions, regardless of the headline politicians of the moment, has been buttressed by a national ability to ride out political and economic storms. Although political strains abound, caused by a combination of Jose Figueres' pursuit of unpopular political goals and of Costa Rica's entry into an era of social and political transition, the country remains better equipped to deal constructively with its problems than most other nations in Latin America. Costa Rica's unique qualities, which have earned the nation a reputation as an oasis of functioning democracy and social progress in the generally backward and politically roiled Central American area, remain operative despite the current political restiveness.

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Background

1. Figueres' administration marks the end of a political era dominated for the past 25 years by a few tireless--and by now, to the public, tiresome--politicians. The pattern of political competition since the 1948 revolution has pitted the National Liberation Party (PLN), founded by Figueres and the largest party in the country, against the other major parties, which formally or informally join forces for the elections. The most recent election (February 1970) was principally a contest between two ex-presidents, Figueres and Mario Echandi, both star politicians of this waning era. It also, however, marked the beginning of transition politics, as embryonic parties tried their luck at the polls and as the traditional groups either split or were on the verge of doing so.

2. Costa Rica's record suggests that the nation can survive institutionally intact these throes of partisan realignment that accompany the search for an independent voice on the national level by a new generation. Since Costa Rica's first real election in 1889, the country has seen only two interruptions of constitutional government: a brief military intervention in 1917 and the civil war of 1948, when force was used to preserve constitutional order rather than to depart from it. Throughout its entire history, Costa Rica has suffered less internal political strife than its neighbors.

3. Important factors in the preservation of Costa Rica's stability have been the Costa Rican aversion to military institutions and the electorate's habit of voting for the opposition. With the PLN and anti-PLN groups alternating in office for the past five elections, and the consequent near-total turnover of security personnel, the civil guard and other police forces have remained responsive and subordinate to the civil government. There has developed the acceptance of electoral defeat by political competitors--with the expectation of future legitimate success--of a kind that is rare in Latin America,

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4. Costa Rica is not, however, without its problems. The country has been affected by the pressure for change that is rampant worldwide, although the problem so far is less critical than in other countries. Social problems, less severe than elsewhere in Central America, are worsening because of continuing inattention, rising hopes for economic betterment, and rapid population growth. The people have come to expect, and most get, a high level of social services from their relatively well developed public institutions. There are pockets of neglect, however, where unrest could become serious--especially in port cities such as Limon and in rural areas where housing, nutrition, and medical care are substandard. Successive governments, even when committed to reform, have been stymied by the inability to secure legislative approval of their programs. The non-PLN Trejos administration (1966-70), for example, was made all but inoperative by the intransigent PLN majority in congress. And, although Figueres has a nominal legislative majority, he also frequently has been unable to obtain sufficient legislative support.

5. Even within the PLN, a left wing and youth groups have been expressing in increasingly radical terms their dissatisfaction with the country's social ills and with the general absence of political action. Ideological statements are highly controversial, not only among the general public but even within the PLN. Similar disaffection prevails within the other established parties.

6. Organized labor, which had been politically impotent, assumed unaccustomed belligerence in the troubled Caribbean port of Limon in 1968, and later on the Pacific coast as well, under the leadership of Communist labor advisers. Students have only recently exhibited signs of politicizing, and in April 1970 they gave the capital, San Jose, its first experience with student rioting.

7. Along with tolerance, conservatism is a strong trait of Costa Ricans. Large segments of the less articulate populace, as well as the vocal rightwing

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press, view with suspicion both the growth of radicalism among respectable political groups and the open and active politics adopted by the Communists in the last elections and continuing under the Figueres administration. Unless, however, some issue not now visible comes along to polarize the public--as happened briefly in 1948--the solution to currently irksome problems and issues seems most likely to be sought via the ballot box in February 1974.

Figueres and the Communists

8. During the campaign Figueres made many promises, but he has made substantial progress toward fulfilling only two: authorization for Costa Rican Communists, like other Costa Ricans, to share in a democratic government; and establishment of diplomatic relations with the Communist world. The government's rapport with domestic and international Communists, which worries many and perhaps most Costa Ricans, is the cause of some of the current distress. There are new indications, however, that the early bright outlook for the Communists under Figueres is diminishing.

9. Internationally, the lure of attractive trade deals led Costa Rica to consider adding Communist countries to its trading partners even under the Trejos administration. In November 1968, Costa Rica made its first coffee sale to the USSR, and Figueres has moved ahead rapidly on trade negotiations begun by Trejos. Costa Rica now has diplomatic relations with the USSR, Poland, Hungary, Yugoslavia, Bulgaria, and Romania.

10. Relations with the Soviets have been the most significant public issue in foreign policy. Last year the USSR paid cash in dollars for large amounts of Costa Rica's surplus coffee. The negotiators almost surely tied this purchase to the opening of a Russian mission in San Jose and to the promise of two-way trade. The issues of a Soviet presence in Costa Rica and permanent trade arrangements became matters of strenuous debate that was sharpened by Figueres' typically flamboyant disregard of his foreign minister and his excessive personal involvement.

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11. The idea that a Soviet mission would inevitably become a center of subversion grew from a right-wing viewpoint to a general concern when the Mexican Government last month expelled five Soviet diplomats, all KGB officers, for alleged Soviet involvement with a guerrilla organization. President Figueres has indicated that he still intends to move ahead with plans to exchange ambassadors with the USSR, and the Soviets themselves will almost certainly be willing to set up shop, even if the environment is less than ideal, in hopes of influencing events in their favor. Given the embarrassment over the Mexican affair and the Soviet desire to establish embassies elsewhere in Central America, a Soviet mission when established will probably be on its best behavior and be circumspect in assisting subversives in neighboring countries. Although the Soviets may be a little piqued over the fallout from the Mexican affair and over the loss of a \$12-million sale this month when their bid on construction equipment was eliminated as legally defective, their irritation will be overcome by the desire for a foot in Central America. The Russians-are-coming issue therefore will probably not remain deflated for long.

12. A problem of considerably more substance derives from the rapid advances made by the Costa Rican Communists over the past two years. After unsuccessful efforts to participate in the 1970 elections through a self-established front group, the Communist Party (PVP) was able to run candidates via the Popular Socialist Action (PASO), a defunct but legally registered party founded by Marcial Aguiluz, an unorthodox Marxist and would-be revolutionary. Both Aguiluz and Manuel Mora, secretary general of the PVP, won seats in the 57-man legislature. The Communists were themselves able to win more than 25,000 votes in a free election. As there was a strong feeling among the electorate that a real choice was lacking in the traditional lineup, however, a sizable portion of this bloc of voters probably represents dissent rather than real Communist strength.

13. There is much to suggest that during his bid for a return to the presidency, Figueres made a

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deal with PVP Secretary General Mora and that the PLN has a working arrangement with the PVP in regions where labor strife is serious. How many and how serious the specifics of these arrangements are remain unclear. Since he assumed power, however, Figueres has improved the Communists' position. Although the PVP is still illegal, the open and complacent Costa Rican society has long allowed the party to operate almost as though legal, and it has been granted more and more latitude over the past year.

14. Mora claims that he exerts strong influence on Figueres and that Minister of Labor Danilo Jimenez Veiga is a PVP penetration of the government. He also has maneuvered to have Francisco Gutierrez Mangel, whom he asserts he "controls," appointed manager of the autonomous Institute of Lands and Colonization (ITCO). Jimenez and Figueres have actively and openly aided Communist labor organizers, who have gained the loyalty of the workers of almost the entire banana industry and gave labor its first sign of life as a potential political force.

15. Mora's commitment to work with Figueres within the system has generated internal problems for the PVP. High officials of the party as well as the rank and file have become increasingly restive about Mora's tactics, which many of them see as a "sellout" to Figueres. At the least, most party members feel discomfited over the role of supporting a bourgeois government, a tactic they had not used since the mid 1940s. Mora, who probably exaggerates his ability to control developments, sees his alliance with Figueres as a shortcut to power. Recognizing the disenchantment, especially among the party youth, however, Mora has tried to regain their confidence by introducing a military training program in the party.

16. After a year's operation, the arrangement between Mora and Figueres shows mixed results, with some hint that the PVP may have hit a peak and will now suffer setbacks because of the division and growing distrust within the party. Some dissidents have already moved to establish a rival Communist party. Although this group shows little immediate promise, its disenchantment with the orthodox party is symptomatic of a PVP decline. Also, the activism, and

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especially the labor successes, of the PVP have reduced public apathy toward the domestic Communists, and resistance to further PVP moves seems likely to increase. Finally, and perhaps most importantly, because the "special status" accorded the PVP depends so heavily on the personal relationship between Mora and Figueres, the PVP role is likely to decline when Figueres is no longer in office.

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21. It seems likely that Figueres' successor will be faced with more and even less tractable problems. The security forces as now constituted are adequate in normal times, but they would be hard pressed to maintain order if a serious breakdown in public order were precipitated by a problem grown into a crisis. Even President Figueres has accepted the notion that at least part of the public forces should have civil-service status, so that a well trained corps would be available in case of critical need. Costa Rica's antimilitarist streak, however, is wide, and every president has found it necessary to back off from plans to institute an effective professional security force. The public relies implicitly on the spontaneous creation of a "minuteman" force or on assistance from the US or OAS if a crisis occurs.

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Economic Annex

22. Costa Rica's economy continued to expand rapidly in 1970, but some weaknesses appeared. Real gross domestic product (GDP) grew by an estimated 8 percent, matching the average annual rate from 1963-69. As usual, exports provided the major impetus to growth, with international demand for bananas and coffee propelling earnings to a record high of \$200 million. Imports rose sharply to \$310 million, however, largely because of inventory speculation in anticipation of increased import taxes. The current account deficit was only partially offset by net capital inflows, resulting in a serious foreign exchange loss. By the close of 1970, foreign reserves stood at less than one month's imports.

23. Budget performance showed considerable improvement in 1970. The deficit was reduced to about ten percent of expenditures and was financed by non-inflationary borrowing through bond sales. But a sharp increase in the money supply and a rise of some 8 percent in the cost of living were both causing concern to the government as the year ended.

24. Economic growth rates during 1971-72 are likely to fall below recent Costa Rican achievements, which in the past have exceeded the Latin American average. Export gains may slow because of some weakening in international coffee prices and the hurricane damage to banana plantations late in 1970. Implementation of the San Jose Protocol to protect the balance of payments probably will reduce imports, and this may have some adverse impact on overall business activity. Moreover, net foreign investment inflows may slow as uncertainty over the fate of the Central American Common Market continues. Although the economy should be stimulated by increased government spending on investment projects, there is a danger that budget deficits will not be fully covered by bond sales. Should the government turn to the Central Bank for deficit financing, inflation would intensify.

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